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SUBJECT: Argentina Economic and Financial Review, November  
26-December 3, 2009

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¶1. (U) Provided below is Embassy Buenos Aires' Economic and Financial Review covering the period November 26 - December 3, ¶2009. The unclassified email version of this report includes tables and charts tracking Argentine economic developments. Contact Econ OMS Megan Walton at WaltonM@state.gov to be included on the email distribution list. This document is sensitive but unclassified. It should not be disseminated outside of USG channels or in any public forum without the written concurrence of the originator. It should not be posted on the internet.

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November Tax Revenue jumped 20% y-o-y to ARP 26 billion  
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¶2. (SBU) On December 2, President Cristina Fernandez de Kirchner announced that preliminary figures show that November tax collections increased 20% y-o-y to ARP 26 billion. This result is much stronger than the increases of less than 10% in each of the past three months and in line with market estimates. The President stated that "we are returning to double digit rate increases" in revenue, stressing that the improvement (in collection) is a direct result of recent GoA measures to jumpstart the economy. The Tax Authority plans to issue detailed tax revenue data on December 3.

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October Trade Surplus improves to \$1.2 billion as exports decline but imports plummet  
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¶3. (SBU) On November 20, the National Bureau of Statistics (INDEC) announced that the October trade surplus reached \$1.2 billion, higher than the \$1.0 billion expected by private analysts and the \$1.0 billion achieved in October of 2009. While exports declined 21% y-o-y to \$4.8 billion, their decline has decelerated compared to the previous three months when they dropped 34% on average. Imports remained depressed, dropping 29% y-o-y to \$3.6 billion (close to the September 2009 figure). The y-o-y decline in imports

reflects weak domestic activity, new trade restrictions, and the impact of a weaker peso. In October, export volume declined by 8% y-o-y, while export prices dropped 14% y-o-y. On the other hand, the 29% decline in imports was driven by an 18% decline in volumes and a 13% drop in prices. Exports of primary goods declined 54% y-o-y, with quantities exported down 41% y-o-y (affected by a very high basis of comparison) and prices down 21% y-o-y. Exports of industrial goods declined 12% y-o-y while exports of manufacturing goods of primary origin dropped 16% y-o-y. In the first ten months of the year, the trade surplus rose to \$14.4 billion from \$11.2 billion in the same period last year (up 29%), reflecting a 25% drop in exports that was more than offset by a 37% drop in imports. The trade surplus is expected to close the year at around \$16 billion, according to private estimates.

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Wages keep increasing as October's wage index rose 1.60% m-o-m

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14. (SBU) INDEC announced December 1 that the wage index increased 1.60% m-o-m in October. This figure exceeded expectations of 1.30%, as measured by a survey conducted by the BCRA. However, the

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October figure represents a slight deceleration from September's increase of 1.70% m-o-m. The survey indicated that private and public sector salaries rose 1.89% and 3.28%, respectively, while private informal wages decreased 1.15%. The cumulative increase of the index in the first ten months of the year was 14.4%. The BCRA survey forecasts an overall 15.9% increase in the wage index for 2009, and 14.5% for 2010, compared to the previous month's forecast of increases of 15% and 13%, respectively. These results indicate an accelerating wage growth trend for the upcoming period. In tandem, private sector analysts are revising upwards their inflation estimates for next year to 17- 20%. [Note: This index defines wages as a price, without considering hours worked or special payments for productivity gains.]

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November labor demand index down 3% m-o-m

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15. (SBU) The November labor demand index calculated by Di Tella University decreased 3% m-o-m to 47.7 points, far below the 110 peak reached in February 2008, when it started its decline. The index is currently 44% below its historic average of 85.2. So far this year, the index has decreased cumulatively by 22%. According to Di Tella University, in spite of the negative trend of the index so far this year, the negative growth rate has decelerated. Di Tella forecasts a more positive labor market outlook for 2010, with the trend expected to turn positive in the first quarter and the index to continue to move upward through the second half of 2010. [The Di Tella index is based on comparisons of job vacancy announcements printed in the two largest newspapers of the country.]

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Gold/silver mine project to begin after eight-year delay

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16. (SBU) The Pascua Lama open pit mining project, reputed to be the first binational mining project in South America, was finally approved by the Argentine and Chilean governments after eight years of legal disputes and delays. The environmental review took a very long time, with local authorities imposing over 400 conditions on Toronto-based Barrick Gold, a leading mining company, which first began participation in the project in the nineties. Operations will now begin, with the development of the mine expected to be completed by the end of 2012. Pascua Lama's annual output, which includes production in both Chile and Argentina (75% in Chile) is projected at 750,000 ounces of gold and 35 million ounces of silver during the first five years of operation. The mine is located on the frontier between Huasco (Chilean side) and San Juan (Argentine side), at an altitude of over 4,500 meters. Its development will require an estimated total investment of USD 3 billion.

MARTINEZ